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## **Bulletin Number: CHIRO-11-2007**

### **Revised Consumer Handbook on Adjustable-Rate Mortgages (CHARM) Now Effective**

We are issuing this bulletin to remind all FDIC-supervised banks that they must use the newly-revised Consumer Handbook on Adjustable-Rate Mortgages (CHARM), which provides information to consumers about the features and risks of such loans, effective October 1, 2007.

In recognition of the growing use of nontraditional mortgage products that allow borrowers to defer payment of principal and sometimes interest, the Federal Reserve Board ('Board') substantially revised the CHARM to include discussions about "interest-only" and "payment option" mortgages. The revised handbook describes how these loans typically work, showing how much (and how often) monthly payments could increase, and how the loan balance could increase if only minimum monthly payments are made. The handbook includes a mortgage shopping worksheet to help consumers compare the features of different products, and a glossary to help them understand some of the terminology.

Under the Board's Regulation Z (which implements the Truth in Lending Act), creditors must provide a copy of the CHARM, or a suitable substitute, to consumers with every application for an adjustable rate mortgage loan. Banks should stop providing and destroy the previous edition of the handbook and begin distributing the revised handbook (or suitable substitute) immediately. The revised handbook is available from the Federal Reserve online at the following site: [http://www.federalreserve.gov/pubs/arms/arms\\_english.htm](http://www.federalreserve.gov/pubs/arms/arms_english.htm). Banks can order copies of the CHARM free of charge using the instructions on that website or by calling 202-452-3245. A Spanish version of the revised CHARM is also available on the same website.

Financial institutions whose primary federal regulator is not FDIC should contact their primary federal regulator for its requirements. If you have any questions concerning this information, please contact us by e-mail at [SCANS@fdic.gov](mailto:SCANS@fdic.gov) or call us at the Chicago Regional Office Banker Hotline 312-382-6926.